

Message Text

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ACTION EB-08

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ITC-01 TRSE-00 USIA-06 PRS-01 SP-02 FEAE-00
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FM AMEMBASSY SINGAPORE

TO SECSTATE WASHDC PRIORITY 8203

INFO AMEMBASSY BANGKOK

AMEMBASSY JAKARTA

AMEMBASSY KUALA LUMPUR

AMEMBASSY MANILA

C O N F I D E N T I A L SINGAPORE 3237

E.O. 11652: GDS

TAGS: ASEAN, ECIN, ETRD

SUBJECT: ASEAN 71 PRODUCTS, TRILATERAL TARIFF REDUCTIONS AND
SINGAPORE

1. SUMMARY. SINGAPORE VIEWS ASEAN 71-PRODUCTS LIST AS ESSENTIAL
FOOT IN DOOR BUT EXPECTS IT TO HAVE LITTLE ECONOMIC EFFECT.
SINGAPOREANS HAVE BEEN HEDGING THEIR BETS AND SEEKING TO ENCOURAGE
MORE RAPID MOVEMENT BY PRESSING FOR IMPLEMENTATION OF MUTUAL
TARIFF REDUCTION PACTS WITH PHILIPPINES AND THAILAND. PRO-
GRESS HAS BEEN MADE IN TRILATERALIZING PACT. SINGAPORE PRESS
HAS REPORTED SINGAPORE-THAI-PHILIPPINE AGREEMENT FOR TARIFF
REDUCTION 1000-PLUS PRODUCTS WHICH THE THREE WILL ALSO OFFER
TO INDONESIA AND MALAYSIA AT ASEAN SUMMIT. AT MINIMUM, TRILATERAL
PACT IS PERCEIVED BY SINGAPORE AS USEFUL DEVICE TO KEEP PRESSURE
ON INDONESIA FOR INTRA-ASEAN TRADE LIBERALIZATION AND ANTO
CHECK ANY INDONESIAN ATTEMPTS TO ALTER ASEAN ECONOMIC POLICY
DIRECTION. END SUMMARY.

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2. THE RECENT ASEAN ECONOMIC MINISTERS MEETING AGREED UPON 71-
PRODUCT LIST FOR INTRA-ASEAN TRADE CONCESSIONS. THE PRODUCTS
AGREED UPON, HOWEVER, REPRESENT A MINISCULE AMOUNT OF INTRA-
ASEAN TRADE. COMMON SINGAPORE GOVERNMENT ARGUMENT IS THAT LIST
IS AN ESSENTIAL FOOT IN DOOR. POINTING TOWARDS PRECEIVED IN-
DONESIAN ATTEMPTS TO SHIFT DIRECTION OF ASEAN'S DEVELOPMENT
SOMEWHAT AWAY FROM ECONOMIC AND TOWARDS POLITICAL GOALS,

GOS VIEWS AGREEMENT ON LIST AS A FURTHER STEP IN DIRECTION ASEAN OUGHT TO FOLLOW --DEVELOPING GREATER ECONOMIC INTERDEPENDENCE. WITH THIS LIST AS A STARTER, SINGAPOREANS ENVISAGE GRADUAL INCREASE IN TRADE CONCESSIONS AND GROWTH IN AMOUNT AND VALUE OF INTRA-ASEAN TRADE. NOW THAT THE FIRST ASEAN-WIDE PREFERENCES HAVE BEEN ACCEPTED AT THE MINISTERIAL LEVEL, ADDITIONS TO THE PRODUCT LIST WILL BE NEGOTIATED IN A WORKING GROUP.

3. MEANWHILE, THE BILATERAL SINGAPORE-PHILIPPINES AND SINGAPORE-THAILAND 10 PERCENT ACROSS-THE-BOARD TARIFF REDUCTION PACTS ARE SLOWLY EDGING CLOSER TO IMPLEMENTATION. AT A MID-JUNE MEETING IN MANILA OF SINGAPORE-PHILIPPINES WORKING GROUP, TO WHICH THAIS WERE NOT OFFICIALLY PARTY BUT INFORMALLY PARTICIPATED IN, IT WAS AGREED TO TRILATERALIZE THE PACTS. WHILE GOS OFFICIALS CLAIM NO INFORMATION, BOTH THE THAI AND PHILIPPINE EMBASSIES STATE THAT A THAI-PHILIPPINES 10 PERCENT ACROSS-THE-BOARD PACT IS BEING ACTIVELY NEGOTIATED. IT APPEARS, HOWEVER, THAT PACE OF TRI-LATERALIZATION IS DISAPPOINTMENT TO SINGAPORE, WHOSE MORE OPTIMISTIC SPOKESMEN NOW TALK OF "END OF THE YEAR" AS A TARGET.

4. THE THREE COUNTRIES HAVE APPARENTLY REACHED A CONSENSUS ON HOW THIS AGREEMENT SHOULD BE LINKED TO ASEAN FRAMEWORK. PRODUCTS ON THE ASEAN-WIDE LIST WITH A PREFERENCE GREATER THAN 10 PERCENT WILL BE ACCEPTED BY THE THREE AT THAT PREFERENTIAL RATE. THOSE ASEAN PRODUCTS WITH LESS THAN A 10 PERCENT CUT

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WILL BE TRADED AMONG THE "LITTLE ENTENTE" AT THE 10 PERCENT TRILATERAL LEVEL. CONTRARY TO THE GOS HOPES EXPRESSED BY NGIAM TONG DOW, (REF SINGAPORE MEMCON OF JULY 2, 1976), ASEAN TARIFF REDUCTION WILL NOT BE IN ADDITION TO THE 10 PERCENT CUTS.

5. DETAILS OF TRILATERAL AGREEMENT AND ITS RELATIONSHIP TO MALAYSIA AND INDONESIA HAVE FOR FIRST TIME BEEN REPORTED IN SINGAPORE PRESS. JULY 30 STRAITS TIMES REPORTED THAT RECENT TRILATERAL TALKS INVOLVING GOS DIRECTOR OF TRADE RIDZWAN, RTG DEPUTY UNDER SECRETARY FOR COMMERCE SUNAI DEBHAVALYA AND GOP UNDER SECRETARY FOR TRADE VINCENTE VALDEPENAS HAD AGREED UPON AN INITIAL LIST OF MORE THAN 1000 (ONE ACCOUNT SAYS 1700) PRODUCTS TO BE COVERED BY THE 10 PERCENT REDUCTION. PRODUCTS SHOULD HAVE 50 PERCENT LOCAL CONTENT AND NOT INCLUDE REEXPORTS. ONLY DETAILS ABOUT PRODUCTS DISCUSSED WERE THOSE PROVIDED TO STRAITS TIMES BY THAI EMBASSY. ACCORDING TO THIS SOURCE, PRODUCTS AGREED UPON BETWEEN SINGAPORE AND THAILAND INCLUDED FURNITURE, GARMENTS AND LEATHER GOODS FROM THAILAND PLUS ELECTRICAL APPLIANCES, ELECTRONIC GOODS, DIESEL ENGINES AND TEXTILE PRODUCTS FROM SINGAPORE.

6. STRAITS TIMES REPORTED THAT TRILATERAL PACT COUNTRIES IN-

TENDED TO OFFER VOLUNTARILY THEIR AGREED 1000-PLUS PRODUCTS TO INDONESIA AND MALAYSIA IN COURSE OF KUALA LUMPUR ASEAN SUMMIT BUT WOULD BE UNLIKELY TO PRESS FOR SIMILAR CONCESSIONS. JULY 31 STRAITS TIMES FOLLOWED UP FOREGOING STORY BY SPECULATING THAT INDONESIA AND MALAYSIA WOULD BE UNLIKELY TO RECIPROCATATE EVEN IF SINGAPORE, THAILAND, AND PHILIPPINES WERE TO EXTEND CUTS WITHOUT STRINGS. STRAITS TIMES SOURCES NOTED THAT GOM AND GOI WOULD NEED MORE TIME TO STUDY THE SCHEME.

7. COMMENT: WE ARE UNABLE AT POST TO DETERMINE STRATISTICALLY THE ECONOMIC EFFECT OF THE 71-PRODUCT ASEAN ACCORD BUT CONCLUDE THAT IT WILL BE MINOR. THE REQUIREMENT FOR 50 PERCENT LOCAL CONTENT FORECLOSES ANY SUBSTANTIAL BENEFIT TO SINGAPORE'S ENTREPOT TRADE. HIGHER TECHNOLOGY ITEMS ARE ALSO CONSPICUOUSLY CONFIDENTIAL

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ABSENT FROM THE LIST AND THESE, OF COURSE, ARE OF SPECIAL INTEREST TO SINGAPORE. SINGAPORE THUS STANDS TO BENEFIT LITTLE FROM THE 71-ITEM AGREEMENT BUT HOLDS THE HOPE OF EXPANDING THE LIST INTO PRODUCT AREAS OF GREATER ECONOMIC SIGNIFICANCE TO IT. THE OVERALL VALUE OF THE 1000 (OR 1700) PRODUCT LIST COVERED BY THE TRILATERAL AGREEMENT IS NOT KNOWN. IT IS NOT YET CLEAR JUST HOW MUCH OF THE TOTAL TRADE BETWEEN THE THREE COUNTRY IS COVERED BY THE LIST.

8. EMBASSY WOULD BE INTERESTED IN COMMENTS OF ADDRESSEE POSTS. HOLDRIDGE

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